

8 Insurance/Cost Comparison Factors

LIFE-CYCLE APPROACH TO INSURANCE

Utilize the “Determining Life Insurance Needs” Worksheet to outline a plan. If nothing changes, leave it alone. But with major life events, reconsider your plan

SINGLE IN QUARTERS

“I don’t need any insurance. I live in government quarters. I don’t even have a car.”

- Renter’s policy .Still necessary to cover your possessions.
- Life insurance .Only if someone depends on your income, otherwise consider a small amount to cover final expenses. SGLI is enough.

MOVING OFF-BASE

“I commute to work with a friend and I am just buying some furniture on credit. Since I don’t have much, I don’t need insurance to cover it.”

- Renter’s policy .Absolutely necessary to replace your possessions including those you are paying off.

BUYING A CAR

“I am buying a car with a big monthly payment, there’s no way I can afford insurance. I’ll just take my chances.”

- Auto insurance .required for on-base driving. Required by state law at set minimums.
- 1) Liability coverage pays for others losses if you are responsible.
- 2) Comprehensive coverage to replace your vehicle if necessary. This is usually required by the lender.

GETTING MARRIED

“Wow, this is such a big step, with so many things to consider. I don’t want to think about those negative things right now.”

- Life insurance .Now someone depends on your income so review your plan and determine your needs for income expenses.
- Health .Use the Tricare system at low or no cost. Consider a supplemental policy if far away from a military treatment facility or there are special health needs. Sign up for DEERS and add to Page 2.
- Dental .Remember to sign your new family member up for the Dental Health Program
- Auto .see above
- Renters policy .see above

HAVING CHILDREN

“I have a baby now, I’m supposed to be responsible but I don’t even know where to begin.”

- Life insurance .Needs will increase now due to the long-term financial responsibilities of raising a child. In addition, insure the other parent. It’s expensive to raise a child alone. Consider purchasing a small policy on the child to cover the cost of a burial or to help if the child becomes uninsurable.
- Health .see above
- Dental .Wait until the child has teeth and/or needs to begin care, first visit around age 2-3 years.
- Auto .see above
- Renters policy .see above

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BUYING A HOME/CONDO/MOBILE HOME

“I’ve just made the biggest purchase of my life, now I want to protect my investment and find a way to pay off this debt if something happens to me.”

- Homeowners Insurance - Required by your lender, needed to cover both the real property and your personal possessions. It also includes liability coverage for someone injured on your property.
- Life insurance - Needs increase at this time due to the mortgage you are carrying. If you want to be able to pay it off, then you must carry enough insurance to do so.

INCREASING ASSETS

“I am finally starting to accumulate some possessions and put money aside in investments. Now I worry about how to protect these assets from a lawsuit.”

- Umbrella Policy - Wide coverage for minimal costs. This is in addition to homeowners and auto insurance. It covers you above the limits of these policies for your liability in a lawsuit.
- Homeowners - see above
- Auto - see above
- Life - see above

DIVORCE

“My spouse said she would continue to cover me on the auto insurance policy, but now its been cancelled. ‘What should I do?’

- Divorce can happen anytime in the life-cycle. Make sure you have your own policies, in your own name for all of the above areas.
- Reconsider your life insurance needs and who you list as your beneficiary.
- Divorce can happen anytime in the life-cycle. Make sure you have your own policies, in your own name for all of the above areas.

RETIREMENT/SEPARATION

“I am getting out of the military in a few months, will my insurance needs change?”

You have been provided many benefits at low or no cost which you now must cover yourself.

- Life insurance - Increase your policy to cover the loss of SGLI or consider VGLI (Veterans Group Life Insurance).
- Health/Dental - Shop for a policy if not provided by your next employer. Personal health policies can be very expensive. Even if you are eligible for Medicare/Medicaid, you may need a supplemental policy.
- Disability - If you are continuing to work, you may be provided coverage by your employer, otherwise you should look for a policy to replace a portion of your income should you be injured or become ill.
- Auto - see above
- Homeowners/Renters policy - see above

DEATH

“My spouse just passed away, what can I expect financially now?”

Active Duty Members:

- Death Gratuity - \$6,000
- SGLI - up to \$ 200,000
- Dependant Indemnity Compensation
- Accumulated leave and/or arrears in pay
- Burial
- Travel to funeral
- 3 months BAH or time in quarters
- Final household goods shipment
- Social Security
- VA Education Benefits

Out of military:

- Benefits will depend on the policies you have put in place.

Retirees:

- SBP if elected
- Social security
- Burial

DETERMINING LIFE INSURANCE NEEDS

1. What annual income does your beneficiary need (in current dollars)? _____

2. Minus other sources of income
 - Surviving spouse's salary _____
 - Investment income _____
 - DIG (Dependency/Indemnity Compensation) _____
 - Social Security _____
 - Pensions (SBP, etc.) _____
 - Other (rental income, etc.) _____
 - * TOTAL INCOME _____

3. Additional income required (#1 minus #2) _____

4. Expected annual rate of return on insurance proceeds minus the long-term rate of inflation, written as a decimal (use .04 or less) _____

5. Amount of death benefit needed to achieve income in #3 (#3 divided by #4) _____

6. Expenses
 - Funeral _____
 - Medical _____
 - Estate probate costs _____
 - Federal estate taxes _____
 - State estate taxes _____
 - Mortgage balance* _____
 - Car loan balance* _____
 - Other loan balances* _____
 - Education fund _____
 - Emergency funds _____
 - TOTAL EXPENSES _____

7. Preliminary insurance needs (total #5 & #6) _____

8. Existing assets
 - Other insurance policies _____
 - Cash and savings _____
 - Securities _____
 - Lump-sum pensions payable at death _____
 - Other cash death benefits _____
 - IRA/Keough/40 1(k) plans _____
 - TOTAL ASSETS _____

9. Total life insurance needed (#7 minus #8) _____

**Include only if you want them paid off at death.*

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SHOPPING TIPS FOR INSURANCE

SAVE MONEY ON AUTO INSURANCE

- Compare prices.
- Use the auto-insurance buyer's guide.
- Don't buy collision and comprehensive coverage from the lender.
- Buy a car that is inexpensive to repair.
- Raise the deductibles.
- Have sufficient liability coverage.
- Consider dropping collision insurance on older cars.
- Take advantage of discounts.
- Describe exactly how your car is used.
- Notify insurer about changes that could lower rates.
- Pay entire premium when due.
- Share your car with a teenager (insurance for a car they own is even more expensive!)
- Drive safely.

SAVE MONEY ON HOMEOWNER'S INSURANCE

- Compare prices.
- Use the homeowners -insurance buyer's guide.
- Buy all your property and casualty insurance from the same company.
- Install deadbolt locks, smoke detectors, a fire extinguisher, and burglar alarms.
- Pay annually.
- Raise the deductible.
- Quit smoking.
- Buy replacement-cost coverage.
- Have sufficient liability coverage.
- Buy a recently built house.
- Don't over-insure (don't include price of the land your house is on).

TIPS TO REMEMBER

- Purchase insurance to cover catastrophic losses, not small losses.
- Generally, one comprehensive policy is better than a number of smaller ones.
- Always shop for a policy which is guaranteed renewable and non-cancelable.
- Never drop essential coverage until another policy is in force.
- Purchase insurance from a financially strong company.

COMPARISON SHOP FOR TERM INSURANCE

Insurance Quote .(800) 972-1104
Quotesmith .(800) 556-9393
Select Quote .(800) 343-1985
Term Quote .(800) 444-8376

CHECK FINANCIAL STRENGTH

A.M. Best's Insurance Reports
Moody's Investor Services
Standard and Poor's
Duff and Phelps
Weiss Research, West Palm Beach, FL
(Phone numbers available at your local library .)